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FM AMEMBASSY TOKYO

TO RUEHC/SECSTATE WASHDC PRIORITY 2150
INFO RUCNASE/ASEAN MEMBER COLLECTIVE PRIORITY
RUEHBJ/AMEMBASSY BEIJING PRIORITY 1959
RUEHMO/AMEMBASSY MOSCOW PRIORITY 2147
RUEHFK/AMCONSUL FUKUOKA PRIORITY 6395
RUEHNH/AMCONSUL NAHA PRIORITY 8790
RUEHOK/AMCONSUL OSAKA KOBE PRIORITY 0063
RUEHKSO/AMCONSUL SAPPORO PRIORITY 7000
RUEHGH/AMCONSUL SHANGHAI PRIORITY 0349
RUEHIN/AIT TAIPEI PRIORITY 6909
RUEHGV/USMISSION GENEVA PRIORITY 3259
RUCNDT/USMISSION USUN NEW YORK PRIORITY 8608
RUEHBS/USEU BRUSSELS PRIORITY

C O N F I D E N T I A L TOKYO 000544

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STATE FOR EAP/MLS BRETT BLACKSHAW AND EAP/CM PAMELA PENG

E.O. 12958: DECL: 02/28/2018

TAGS: [ENRG](#) [PBTS](#) [ECON](#) [PREL](#) [JA](#) [CH](#) [VN](#)

SUBJECT: JAPAN PLANS NO ACTION IN SOUTH CHINA SEA DISPUTE

REF: STATE 17315

Classified By: Ambassador J. Thomas Schieffer. Reasons 1.4 (b/d).

¶1. (C) The consortium led by Japan's Idemitsu Corporation to develop oil fields with PetroVietnam in the South China Sea has decided for business reasons to suspend work there, according to Ministry of Economy, Trade and Industry (METI) Petroleum and Natural Gas Division Director Shin Hosaka. Representatives from the Chinese Foreign Ministry had expressed displeasure over Idemitsu's dealings with PetroVietnam to METI officials in June 2007. METI conveyed this information to Idemitsu, but did not advise the company in any way as to how to respond, Hosaka stressed. He stated the GOJ has no plans to raise the issue with China.

¶2. (C) Ministry of Foreign Affairs (MOFA) Regional Policy Director Yasuhiro Ogawa explained Idemitsu and PetroVietnam established their partnership to explore for oil in the South China Sea in 2004. China protested the venture at that time. The companies did a seismic survey in 2005 and began exploratory drilling in February 2007. According to Ogawa, China did not raise the issue again until June 2007. After China's protest, Idemitsu and PetroVietnam restricted their activity to the western portion of block 5, outside the disputed area. The venture, however, used Russian seismic vessels for exploration, which, Ogawa claimed, were suddenly withdrawn and effectively shut down the operation. Ogawa suspects withdrawal of the Russian ships was in response to Chinese Government pressure. The GOJ does not know whether China pressed Idemitsu directly about the joint venture, he said. Ogawa stated Vietnam's government asked the GOJ in June 2007 to encourage Idemitsu to resume oil exploration in the South China Sea. METI conveyed the information to Idemitsu, but the company thus far has demurred. Ogawa does not know the company's plans for the future.

¶3. (C) Ogawa believes the South China Sea dispute will be particularly hard to resolve as none of the claimants has a very strong case under international law. The GOJ is neutral on this sovereignty dispute, he added.

¶4. (C) Comment. Our interlocutors at MOFA and METI offered no recommendations for resolving the dispute. The GOJ official position is that Idemitsu's involvement (or not, as the case may be) is a private business matter which, at this

stage, does not require Japanese government intervention.

End Comment.

SCHIEFFER